

VA Financial Policies and Procedures

Grants: Audit Use and Resolution

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| 0701 OVERVIEW | 2 |
| 0702 POLICIES | 2 |
| 0703 AUTHORITY AND REFERENCES | 4 |
| 0704 ROLES AND RESPONSIBILITIES | 5 |
| 0705 PROCEDURES | 5 |
| 0706 DEFINITIONS..... | 6 |
| 0707 RESCISSIONS..... | 6 |
| 0708 QUESTIONS | 6 |
| 0709 REVISIONS..... | 6 |

0701 OVERVIEW

This chapter establishes Department of Veterans Affairs (VA) policy regarding the Grants Program Office (GPO) policies and procedures that apply to securing and using audit reports in the award and administration of grants.

0702 POLICIES

070201 AUDIT USE AND RESOLUTION

Purpose. This chapter outlines Department of Veterans Affairs (VA) policies for securing and using audit reports in the award and administration of grants. This includes both grantee-initiated audits under Office of Management and Budget (OMB) Circular A-133 and GPO-commissioned audits of a grant or grantee carried out by or on behalf of the Office of the Inspector General (OIG).

Scope. This chapter applies to all VA grant programs and awards.

070202 GENERAL POLICY REQUIREMENTS.

A. The audit required by OMB Circular A-133 (A-133 audit) (as implemented for VA programs in 38 C.F.R. Part 41) constitutes a valuable source of information for VA grants management staff.

B. Entities that do not meet the OMB Circular A-133 annual expenditures of Federal funds threshold are not required to arrange for an A-133 audit (single, organization-wide audit or program-specific audit); however, a GPO may request that the OIG conduct an audit, during the project period or within a reasonable time after the end of the project period, if the GPO believes an audit is justified or warranted.

C. GPOs must ensure that the terms and conditions of award specify audit requirements and the consequences of not submitting required audit reports in a timely manner.

D. GPOs must work closely with other VA offices that have responsibilities related to audit, including the OIG.

E. Audit findings under A-133 or equivalent audits must be resolved within 6 months of transmission (issuance) of the audit report by the VA OIG or notification from the OIG or GPO for findings related to grants under their management; however, corrective action and collection of any monetary disallowances, which are debts subject to the VA claims collection regulation at 38 C.F.R. 43.52 and 38 C.F.R. 49.73 may be completed over an agreed-on period that goes beyond this 6-month period.

F. Determinations of cost allowability and deficiencies in management systems resulting from audit findings must be based on the applicable statute(s), regulations,

cost principles, and other terms and conditions of the award. Process deficiencies, e.g., the grantee did not obtain required prior approval for an otherwise allowable expenditure, should not be the sole basis for disallowing a cost (see Chapter V, Grant Post-Award, 050203 Cost Policies). The basis for the determination of a cost disallowance must be adequately documented in the event a grantee appeals.

G. If audit resolution results in a need to modify a grant award(s), that action must be taken by someone within the GPO with appropriate authority.

070203 Use of Audit Reports in the Grants Management Process.

A. GPOs may use the most current A-133 (or equivalent) Single Audit Data Collection Form or audit report (if there are relevant findings) when making pre-award decisions and as part of post-award monitoring. Based on review of the audit report, a GPO may decide not to make an award, make the award using special conditions after designating the organization as “high risk,” and/or take other appropriate action, e.g., an enforcement action (see Chapter 5, Grants Post-Award, 050209 Termination and Enforcement).

The GPO should consult the Federal Audit Clearinghouse (FAC) website (<http://harvester.census.gov/sac/>) to determine if an A-133 audit report has been submitted and whether it has findings. The FAC, which is part of the Bureau of the Census, Department of Commerce, and is located in Jeffersonville, Indiana, is the designated receipt point in the Federal government for A-133 audit reports.

If an audit report or Single Audit Data Collection Form, which summarizes findings, is available at the FAC and there are findings on VA grants relevant to a GPO’s grant programs, the GPO should contact the OIG to determine whether they or another GPO or office has audit resolution responsibility. The GPO should contact the cognizant GPO to determine whether any findings would adversely affect the GPO’s pending or ongoing award(s) and, if so, take appropriate action to protect the Federal government’s interests.

B. If a GPO makes an award without being able to determine before award whether an A-133 audit was required or a required audit report was submitted, the GPO should remind the recipient--at the time of award or within a reasonable period of time after award--of its audit responsibilities and potential consequences of non-compliance.

C. Based on its own knowledge or following consultation with OIG, if a GPO determines that a required audit report is delinquent, the GPO should consult with OIG to determine who will be responsible for actions to obtain it.

If a GPO is responsible for obtaining a delinquent audit report, it may use the range of enforcement actions available under Chapter 5, Grants Post-Award, 050209 Termination and Enforcement and may take action at any time to designate a recipient as high risk.

070204 Audit Resolution and Follow Up.

A. Audit resolution means that a final decision has been made on the amount of monetary recovery and/or required systemic or management corrections. Programmatic issues that do not have a monetary value will be resolved by the GPO.

The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. The Director or Chief of the program is responsible for tracking the findings of the audit unless the GPO designates another individual in writing.

B. The head of the GPO is responsible for tracking any proposed resolution of an audit exception. Authority to accept compromise on any amount is outlined in VA Financial Policy Volume XII & 38 C.F.R. Part 43.52 or 49.73.

C. The letter advising the grantee of an audit disallowance or other findings requiring corrective action generally must be signed by the head of the GPO.

The letter constitutes the final decision of the GPO and may be appealed by the recipient under VA Financial Policy Volume XII, Debt Management and 38 CFR 43.43 or 49.62 or other applicable appeals procedures.

The letter should be coordinated with the cognizant GPO and, as appropriate, with the appropriate Office of the General Counsel.

D. Following audit resolution, GPOs have continuing responsibility for follow-up activities to collect monies as outlined in 38 C.F.R. Part 1.910-1.929. If monies are due the GPO and, for management deficiencies, the GPO needs to ensure that recipients take appropriate corrective action on sustained audit findings. These actions may include placing the recipient on the high-risk list. This responsibility continues even if the audit report covers an award(s) that expired or was terminated prior to receipt of the audit or completion of corrective action.

0703 AUTHORITY AND REFERENCES

070301 [A-133, Audits of States, Local Governments and Non-Profit Organizations](#)

070302 [38 C.F.R. Part 41 Audits of States, Local Governments and Non-Profit Organizations](#)

070303 [38 C.F.R. Part 43.52 Collection of amounts due](#)

070304 [38 C.F.R. Part 49.73 Collection of amounts due](#)

070305 [Federal Audit Clearinghouse](#)

070306 [38 C.F.R. Part 43.43 Enforcement](#)

070307 [38 C.F.R. Part 49.62 Enforcement](#)

070308 [VA Policies, Volume XII Debt Management](#)

070309 [VA Policies, Volume XI Committee on Waivers and Compromises](#)

070310 [38 C.F.R. 1.910-1.929 Standards for the Collection of Claims](#)

0704 ROLES AND RESPONSIBILITIES

070401 The Assistant Secretary for Management and Chief Financial Officer (CFO), oversees all financial management activities relating to the Department's programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Responsibilities include the direction, management and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

070402 Under Secretaries, Assistant Secretaries, and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

070403 The Office of Finance, Office of Financial Policy (OFP) is responsible for developing, coordinating, reviewing, evaluating, and issuing VA financial policies, including those that impact financial systems and procedures for compliance with all financial laws and regulations. The Grants Management Service within OFP is specifically responsible for developing, coordinating, and issuing grants policy.

070404 The head of the GPO will designate an appropriate official to serve as the audit resolution official.

070405 GPO grants management staff is responsible for reviewing all relevant Single Audit Data Collection Forms and/or audit reports and for using the information appropriately in making funding and other decisions or recommendations related to a grant or potential grant.

070406 GPO grants management staff is responsible for determining if there is debt related to unallowable costs and following GPO processes in conformance with this chapter and VA Grants Policy, Chapter VII, Debt Management to recover funds.

0705 PROCEDURES

None.

0706 DEFINITIONS

070601 Grants Program Office (GPO). The organization reporting to the approving official that would be responsible for programmatic administration of a particular grant if awarded.

0707 RESCISSIONS

None.

0708 QUESTIONS

Questions concerning these policies and procedures should be directed as shown below:

OFP OFP Accounting Policy (Outlook)

0709 REVISIONS

| Section | Revision | Office | Effective Date |
|----------------|--------------------|---------------|-----------------------|
| Vol. X Ch. 7 | New policy chapter | Grants Mgmt | February 2014 |